

Message Text

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C O N F I D E N T I A L ALGIERS 3397

E.O. 11652: GDS

TAGS: ENRG, AG, US

SUBJECT: FRENCH-ALGERIAN OIL TRADE AND IMPLICATIONS FOR US

REF: ALGIERS 3357 (NOTAL)

1. FACT THAT ELF-AQUITAINE, ONE OF TWO MAJOR FRENCH OIL FIRMS OPERATING IN ALGERIA, WILL RECEIVE NO ALGERIAN OIL IN 1976 (REFTEL) NOT AS SIGNIFICANT AS IT MIGHT SEEM AT FIRST. CFP SIGNED CONTRACT NOVEMBER 14 WHICH WILL ABSORB MOST OF QUANTITY OF OIL THAT WENT TO ELF IN 1975. SPECIFICALLY, IN 1975 CFP IS TAKING ABOUT SEVEN MILLION TONS OF ALGERIAN OIL AND ELF FIVE MILLIONS TONS. IN 1976-80 CFP HAS CONTRACTED TO TAKE TEN MILLION TONS, MEANING THAT FRANCE AS WHOLE WILL PURCHASE ONLY TWO MILLION TONS LESS IN 1976 THAN IN 1975. CFP WILL ALSO TAKE OVER MUCH OF EXPLORATION INTERESTS OF ELF IN ALGERIA.

2. SIGNIFICANCE FOR US OF THIS DEVELOPMENT IS THAT OF
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ABOUT TWELVE MILLION TONS PURCHASED BY FRENCH IN 1975,

ONLY FIVE MILLION BEING IMPORTED INTO FRANCE, ACCORDING FIGURES SUPPLIED BY FRENCH EMBASSY HERE, WITH BULK OF REST TRADED TO US COMPANIES. FRENCH EMBASSY SOURCE SAID HE NOW TOLD BY CFP THAT ENTIRE ADDITIONAL THREE MILLION TONS QUANTITY PURCHASED BY CFP IN 1976-80 IS INTENDED TO BE RESOLD TO US COMPANIES. THIS RESALE AMOUNT COULD WELL BE HIGHER DEPENDING ON PACE OF RECOVERY OFFRENCH ECONOMY IN 1976.

3. COMMENT: ALGERIAN OIL TRADE WITH US RECENTLY HAS BEEN MADE UP OF TWO DISTINCT PARTS: A) THAT OIL SOLD DIRECTLY TO US COMPANIES BY SONATRACH, AND B) THAT OIL RESOLD TO US COMPANIES BY FOREIGN BUYERS OF ALGERIAN OIL. IF 1976 OIL TRADE DEVELOPS AS FRENCH SUGGEST, 35-40 PERCENT OF ALGERIAN CRUDE EXPORTS OR MORE COULD BE MOVING TO US IN 1976 THROUGH BOTH DIRECT AND RESALE CHANNELS. (EMBASSY'S PRELIMINARY COMPUTATIONS INDICATE THAT THIS WOULD BE SLIGHTLY HIGHER THAN IN 1975.) HOWEVER, NEW ALGERIAN PRICE SCHEME PROHIBITS RESALE OF OIL BY ORIGINAL PURCHASERS. ALGERIANS HAVE ALREADY SOLD ABOUT 30 PERCENT OF THEIR EXPECTED 1976 OIL EXPORTS OF 800,000 B/D TO US DIRECTLY. HOW MUCH MORE OIL THAN THIS REACHES US WILL DEPEND ON DEISRE AND SUCCESS OF ALGERIANS IN POLICING CONTRACTS AGINST RESALE. LYNE UNQTE
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